

Algonquin Energy Services Inc. ("Bidder") Conditions

The Bidder's offer to provide standard offer service at the prices described in its Bid Price Proposal is made subject to the acceptance by the Commission of the following conditions as expressly stated herein, without modification except upon the written agreement of the Bidder. The Commission's order designating the Bidder as a standard offer provider (the "Provider") shall expressly incorporate each of the conditions stated herein (the "Order").

Upon such acceptance and designation, the Bidder's resulting rights and obligations as Provider shall consist of (i) the applicable and material provisions of Maine law and regulations, and provisions of the RFP; (ii) the Order, incorporating the express conditions of this Bid Price Proposal; and (iii) the Standard Offer Provider Standard Service Agreement described below (collectively, the "Standard Offer Obligation"). In the event of any conflict or inconsistency between the terms and conditions of the Order and any other terms and conditions described above, the terms and provisions of the Order shall prevail and be given priority. Subject to the foregoing, the several documents and instruments forming the Standard Offer Obligation are to be taken as mutually explanatory of one another and in the case of ambiguities or discrepancies within or between such parts the same shall be explained and interpreted, if possible, in a manner which gives effect to each part and which avoids or minimizes conflicts among such parts.

- Bid Price Proposal Expiration Date. The Bidder's Bid Price Proposal shall remain effective and binding until the close of business on **February 17, 2015**. If Bidder receives the Commission's Order (in redacted form deleting the name(s) of other winning bidders) designating the Bidder as the Provider before the close of business on **[same date as above]**, T&D and Bidder shall, no later than **February 19, 2015** execute final, definitive documentation regarding the Standard Offer Obligation and any other obligations awarded to the Bidder by the Commission (such documentation to be substantially in the form agreed to by the Bidder, T&D and the Commission prior to the submission of Bidder's Bid Price Proposal and containing subsequent non-substantive changes mutually agreed upon by the Bidder, T&D and Commission).
- Increased Costs Associated With Change in Law.

If the Maine legislature or the Commission enacts, promulgates, adopts, alters, modifies or waives¹ any law, rule or regulation that relates to the provision of standard offer service or the provision of competitive electric service in general after the date hereof, or if the definition of rate classes, as presently defined by each T&D, changes (a "Change in Law") and such Change in Law materially increases the Provider's cost to provide standard offer service, Provider shall recover such increased costs in accordance with paragraph (a) or paragraph (b) below, as applicable. Provider shall provide the Commission and, if applicable, the Maine Legislature with a calculation of its increased costs as soon as practicable after becoming aware of a Change in Law or consideration by the Commission or the Maine Legislature of a Change in Law.

- (a) If the Commission finds that Provider's calculation reasonably reflects its increased costs, the Commission shall increase the price of standard offer

¹ Except for opt-out fee waivers granted by the Commission pursuant to its January 24, 2001 "Order Adopting Rule and Statement of Factual and Policy Basis" (Docket No. 2000-904).

service paid by retail standard offer customers at the time a Change in Law becomes effective, or as soon after the Change in Law becomes effective as reasonably possible, so that Provider recovers all of any increased costs in accordance with Provider's calculation.

(b) If the Commission does not find that Provider's calculation reasonably reflects its increased costs, the Commission shall increase the price of standard offer service paid by retail customers such that Provider recovers all of any increased costs in accordance with the Commission's calculation. In this event, Provider may invoke binding arbitration of the increased cost amount by notice to the Commission. Any such arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except as otherwise provided herein. A final arbitration decision shall be rendered no later than ninety (90) days after the date on which Provider provides notice to the Commission that it has invoked arbitration. To the extent the arbitration panel finds that a Change of Law has occurred and has increased the Provider's costs, the arbitration panel shall award the Provider a liquidated amount payable for the increased costs associated with standard offer service already provided at the increased cost and the Commission shall increase the price of standard offer service to be provided for the balance of the standard offer term sufficient to permit the Provider to recover the ongoing increased costs.

Notwithstanding the foregoing, if upon receipt of reasonable prior direct notification of a proposed Change in Law, Provider fails within the time prescribed in such notice to inform the Maine Legislature or the Commission, pursuant to applicable procedures identified in such notice, of the impact that a Change in Law under consideration would have on Provider's cost to provide standard offer service, Provider shall not be entitled to cause the Commission to undertake action with respect to its increased costs or to engage in arbitration proceedings with respect thereto as provided in clause (a) or (b) above.

- Increased Costs Associated with ISO-New England, Inc. Reliability Programs. In the event Provider is subject to out-of-market charges imposed by the ISO-New England, Inc. ("ISO-NE") and approved by the Federal Energy Regulatory Commission for the purposes of ensuring service reliability, and such charges materially increase the Provider's cost to provide standard offer service, Provider shall be entitled to request the Commission may approve or reject in its sole discretion based on the record evidence and arguments presented by the Provider.
- Recovery of Costs Under Chapter 315 Associated with Purchases from Small Generators Larger than 1 MW. Provider may recover all incremental ISO-NE administrative tariff charges that the Provider incurs as a direct result of its purchase of such energy.
- Termination by Provider. In the event of a default on the part of the T&D which results in termination of the SOP Agreement, or an unlawful or arbitrary action by the Maine Legislature or the Commission or other action by the Commission (other than as a result of a Provider Default) as a result of which Provider ceases to receive payment for standard offer service at the rate and upon the terms specified herein or Provider is removed as the standard offer provider or ceases to retain the right to provide standard offer service for the entire term specified herein, Provider shall have the right (among other remedies if applicable) to terminate its obligation to provide standard offer service, the exercise of which shall terminate all of Provider's SOP

Obligations. The parties' payment of termination damages in the event of such a termination shall be calculated and recovered pursuant to the relevant liquidation provisions of the SOP Agreement. For purposes of such calculation, Provider's loss shall not include any consequential or indirect damages.

- Termination by Commission. The unexcused occurrence of either of the following events shall constitute a "Provider Default": (i) Provider fails to satisfy its Load Asset obligations for the applicable Load Assets in the ISO-NE market settlement system (or its equivalent obligations in any successor market settlement system), as a result of which the T&D or other third party is obligated to assume responsibility for all such market settlement obligations; or (ii) Provider fails to perform any other of its material obligations under the Standard Offer Obligation in accordance with the requirements thereof, and the Commission, after notice and opportunity to be heard, finds that the failure justifies removal of Provider as the standard offer provider, and all Provider's SOP Obligations shall terminate. In the event of a Provider Default, the T&D (subject to the Commission's approval) shall have the right (among other remedies if applicable) to terminate its obligation to accept standard offer service, the exercise of which shall terminate all of the T&D's obligations under the SOP Agreement. The parties' payment of termination damages in the event of such a termination shall be calculated and recovered pursuant to the relevant liquidation provisions of the SOP Agreement.

Notwithstanding any provision to the contrary in the Standard Offer Obligation, the Commission shall not, nor shall it permit the T&D to, take any remedial action against the Provider or the Provider Guarantor (as such term is defined in the SOP Agreement) as a result of a failure or default of Provider (including action(s) described in Section 8.2 of the RFP and Section 9 of Chapter 301) unless such event constitutes a Provider Default.

- Security: The Commission shall find that the guaranty forms from Algonquin Power Co. delivered to the Commission with the Bid Price Proposal satisfy Provider's initial financial capability requirements under Maine law, regulations, the RFP and any other Standard Offer Obligation provision (notwithstanding a Change in Law).